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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000342

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TAGS: [ECON](#) [IZ](#) [PGOV](#)

SUBJECT: IRAQ EXECUTIVE STEERING COMMITTEE - FEBRUARY 1

REF: BAGHDAD 177

1. (C) Summary. Prime Minister Maliki chaired the Baghdad Security Plan (Fardh al Qanoon ) FAQ) Iraq Executive Steering Committee (I-ESC) on 1st February. The meeting included much discussion of the role that the decentralization and the private sector can play in Iraq's development - including a proposal to privatize Baghdad's garbage collection and the need to allow individual ministries to import fuel products; an update on kerosene distribution that included claims of systemic Ministry of Oil corruption; and an update that a forthcoming revised executive order will stipulate that the Ministry of Displaced Persons remains the lead of the inter-agency coordinating committee for returning displaced persons. End Summary

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Project Clean Delivery  
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2. (C) Saeed Jabour, Secretary of the I-ESC and a member of the Office of the National Security Advisor, briefed an update of the expansion of the new initiative to improve efficiency and remove militia involvement in the distribution of kerosene in Baghdad (Project Clean Delivery -- reftel). Jabour informed the body that the initiative was implemented in the Ghazaliya and Beladiyat neighborhoods and that the increased monitoring associated with the initiative ensured that ration allocations were received at the GoI stipulated price. Jabour also noted that the initiative was uncovering systemic corruption in the Ministry of Oil and that local militias had assassinated two Neighborhood Advisory Council members because of these Council members' involvement with the initiative, which immediately took revenue away from local militants. Each of the Minister of Defense, Essential Services Chair Chalabi, the Provincial Council chairman and the Deputy Inspector General from the Ministry of Oil praised the initiative.

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Maliki Urges Immediate Improvement in Services  
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3. (C) Referencing pictures of dilapidated schools shown at the 7 Dec I-ESC, PM Maliki called for immediate action to ensure that all of Baghdad's schools have windows and functioning bathrooms. PM Maliki also asked the Mayor to "take pressure off" of the Ministry of Education in school refurbishment and asked if the Mayor needed additional funds to do so. The Mayor stated that it is not the responsibility of the Amanat, but that it would assist with the work.

4. (C) The Deputy Minister of Electricity provided a brief summary of Iraq's electricity challenges that highlighted the need to increase generation capacity and Provincial adherence to the national distribution plan. The Deputy Minister also stated that a lack of heating fuel for homes is currently causing an increased burden on the electricity grid.

5. (C) Stating that "everything" in the effort to improve

Iraq is based on electricity and fuel, PM Maliki asked that all Provinces have a regular supply of 12 hours of power by June. The Deputy Minister stated that although the MoE has plans to bring on line several generators and is continually attempting to repair power lines interdicted by terrorists, he would not be able to commit to such an increase.

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Petraeus Notes Loss of Electricity  
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16. (C) CG Petraeus distributed a hand out that showed that Baghdad is currently losing approximately 2 hours of power per day, increasing to 4 hours this Spring, due to a lack of sufficient Diesel Fuel needed to avail generator capacity. Furthermore, the CG stated that Iraq will need an additional 1.5 million L/day (2.8 million L/day total) by April to utilize generators coming on line and reminded IESC members of the difficulties in procuring diesel from Kuwait last summer.

17. (C) In response to comments from Essential Services Chair Ahmed Chalabi that the GoI must allow individual ministries to bypass the Ministry of Oil's marketing arm (SOMO), which is the sole entity authorized to import fuel products, CG Petraeus praised Chalabi's spirit of ingenuity and strenuously noted that Iraq must overcome its centralized bureaucracy if it is to successfully develop. As evidence, CG noted that electricity supplies from Turkey are currently halted due to a cumbersome payment process requiring agreement and joint signatures from the Ministry of Electricity and the Deputy Prime Minister's Office.  
(Comment: the implementing regulations for the Fuel Import Liberalization Law do allow private imports of refined products, but only by private companies for retail sale to

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the local market. End comment.)

18. (C) PM Maliki stated that he would suggest to the Cabinet that any Ministry should be able to import directly. The Governor of Baghdad noted that this would necessitate quickly acquiring dollars at the Central Bank, which is itself problematic. Continuing his attacks on centralized bureaucracy, CG Petraeus also noted that it is "insane" that the GoI only allows the Trade Bank of Iraq to offer Letters of Credit and urged that private banks be allowed this right.

PM Maliki stated that he was open to this idea and that he would instruct the Economics Committee to consider the issue.

(Comment: Private sector solutions are frequent themes of Chalabi and CG Petraeus at the IESC. Maliki seems genuinely supportive of an increased private sector in current GoI activities, but seems to lack the ability to fully understand and/or execute the policy reforms that such increases would require. For example, Maliki sometimes notes that he previously supported private companies being allowed to import fuel, but that

none were interested given that the world market price for fuel products is in excess of GoI mandated prices. Maliki has never followed up these comments with the obvious observation that the GoI should end its fuel price controls. Neither the Ministry of Finance nor the Ministry of Trade regularly attends the IESC. End Comment.)

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Privatization of Baghdad's Garbage  
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19. (C) The Mayor of Baghdad stated that Baghdad's ever present garbage problem could be improved by: 1) increasing recycling; 2) the Amanat being granted access to 500 allegedly unused trucks belonging to the Ministry of Interior and 3) accepting a proposal from an Iraqi company that has worked in Bahrain to collect Baghdad's garbage at no expense provided that they be given exclusive rights to the refuse for 15-20 years. (Comment: No further details were given about the Bahraini's proposal. While the scrap iron present in many of the rubble heaps in Baghdad is valuable, it is

unknown if such an agreement makes economic sense for common garbage in general. End Comment). PM Maliki stated that any company that would take Baghdad's garbage can have it and said that he would ask the Economic Committee to consider the proposal.

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Revised IDP EO Expected Soon  
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¶10. (C) Provincial Chair Mueen stated that returning Displaced People (IDPs) remains a problem and asked that the Governor be given the responsibility of the "non-functioning" IDP Committee. PM Maliki stated that the Minister of Displaced Persons leads this committee but that the Governor is a member of it. PM Maliki went on to explain that problems in the original executive order establishing the committee were being rectified by the National Security Advisor's Office and that the new order would be sent soon. Maliki also stated that it is essential that this committee begin its work as soon as possible.

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Chalabi Sits Next to Prime Minister  
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¶11. (C) Comment. Dr. Chalabi sat next to PM Maliki, inserting himself in the seat normally occupied by NSA Rubaie. At every previous IESC he attended, Chalabi sat at least four seats down on the right of the table. As Chalabi's relative influence has increased since being named Essential Services Chair, he continues to take a more prominent role in the meeting. End Comment.  
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